Principles for Responsible Banking Report
2023
Cover image
Ferdinand Runk, detail from “Hadersfeld on the Danube,” 1815
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The Principles for Responsible Banking (PRB) constitute an overarching framework that guides banks on how to align their business strategies and practices with society’s goals set out in the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The PRB were created by founding banks and the United Nations. The six Principles help the banking industry to demonstrate how it makes a positive contribution to society. The signatories embed sustainability across all business areas, at the strategic, portfolio and transactional level. As a signatory to the PRB, LGT Private Banking (LGT PB) is working to further align itself with the SDGs, as well as the Paris Agreement. This document outlines LGT PB’s PRB Reporting and Self-Assessment with references mainly to the following publications:

- Annual Report 2023
- Sustainability Information 2023, Part I – ESRS\(^1\) Report (LGT Group) and Part II – TCFD\(^2\) Report (LGT PB)
- LGT’s website

Any additional resources used are indicated in the report.

Overall, this report reflects events and actions up until the end of March 2024. The data used in this report is as at 31 December 2023, unless explicitly stated otherwise.

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\(^1\) European Sustainability Reporting Standards (ESRS)

\(^2\) Task Force on Climate-Related Financial Disclosures (TCFD)
Principle 1: Alignment
We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model
Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing eg the distribution of your bank’s portfolio (%) in terms of geographies, segments (ie by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response
LGT Private Banking (LGT PB), headquartered in Vaduz (FL), offers wealth management services for private clients, including:

- Investment advice and portfolio management
- Trading advice and execution
- Loan and credit facilities
- Philanthropy services and impact investing
- Wealth planning and family governance

Since its founding, LGT PB has grown from a regional bank to an international private bank. LGT PB is present in Liechtenstein, Switzerland, Austria, Germany, the United Kingdom, Ireland, Hong Kong, Singapore, Bahrain, the United Arab Emirates, Thailand, India, Japan and Australia. As at 31 December 2023, LGT PB employed over 4800 people worldwide. LGT PB’s revenues are generated through wealth management (commission business and services) and trading, as well as money market and lending business. Geographical information regarding LGT Group (LGT)’s operating income, capital expenditures and non-current assets is presented in the LGT Annual Report 2023, chapter Operating segments of the consolidated financial statements.

LGT has been owned by the Princely Family of Liechtenstein for more than 90 years and has a long tradition of professionally managing family wealth. In both its corporate and investment strategies, LGT takes a long-term perspective.

1.2 Strategy alignment
Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☐ Yes
☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Guiding Principles on Business and Human Rights
☐ International Labour Organization fundamental conventions
☐ UN Global Compact
☐ UN Declaration on the Rights of Indigenous Peoples
☐ Any applicable regulatory reporting requirements on environmental risk assessments, eg on climate risk – please specify which ones: Task Force on Climate-related Financial Disclosures (TCFD) (https://www.fsb-tcfd.org/)
☐ Any applicable regulatory reporting requirements on social risk assessments, eg on modern slavery – please specify which ones: Finance Against Slavery & Trafficking (FAST) Initiative (https://www.fastinitiative.org/)
☐ None of the above
Response

For the owner of LGT, the Princely Family of Liechtenstein, sustainable and long-term actions are at the core of its business activities. LGT PB is committed to ensuring sustainability is part of every business decision. This commitment is also embedded in the company’s Sustainability Strategy 2030, which consists of three pillars:

1. Clients & Investments
2. Business & Operations
3. People & Society

And its Climate Ambition 2030.

The Sustainability Strategy 2030 is implemented through numerous initiatives and projects (for references see links to the right and part 3.2). In 2017, LGT PB introduced the LGT Sustainability Rating to give clients greater transparency regarding the sustainability quality of their investments (for more information, see section 3.1). LGT PB is steadily increasing its offering of products and solutions promoting environmental and/or social characteristics (for more information, see section 3.2).

LGT considers human rights violations a material sustainability risk. Since 2012, LGT has been committed to the Ten Principles of the UN Global Compact, and since 2018, it supports, through financial assistance and network involvement, the Liechtenstein Initiative on Finance Against Slavery and Trafficking (FAST), which works to combat human trafficking and modern slavery. LGT’s human rights statement aims to detail its commitment to upholding human rights. The scope includes employees, suppliers and society at large. LGT Wealth Management (LGT WM) and LGT Crestone submit an annual modern slavery statement to the local authorities. The statement describes LGT WM’s commitment to combating modern slavery and its slavery and human trafficking risk. In addition, it outlines the further actions LGT WM plans to take. Further, LGT PB is a signatory to PRI’s Advance initiative.

LGT PB signed the Principles for Responsible Banking (PRB) in 2020 and is a founding member of the UN Net-Zero Banking Alliance (NZBA), underscoring its commitment to continue supporting clients and companies in their transition towards a more sustainable use of limited resources. As a PRB signatory, LGT PB ensures that it is aligned with the vision of the SDGs and the goals established under the Paris Climate Agreement. Since the 2021 financial reporting year, LGT PB has reported according to the standards set by the Task Force on Climate-related Financial Disclosures (TCFD) to better identify and provide transparency on climate risks.

In 2022, LGT PB committed to the UN Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC) and became a member of Climate Action 100+. LGT PB also joined the nature-related initiatives Nature Action 100 and Finance for Biodiversity, and published a position paper on biodiversity in 2022. LGT PB recognises that biodiversity loss and climate change are interdependent, and that biodiversity loss represents an even a bigger challenge for humankind.

LGT PB has committed to reduce the net emissions of its balance sheet to zero by 2050, in line with its NZBA commitment. Further to this, within a reduced scope covering operational and part of own investments emissions, LGT PB has a net zero 2030 ambition, which is to be achieved through a combination of emissions reduction and the utilisation of high-quality carbon credits. In addition, with regard to client investments, LGT PB enables its clients to make informed decisions on sustainable investments and decarbonisation strategies, thereby underscoring its commitment to contribute to a sustainable financial sector.

In the EU/EEA, Switzerland, the UK, Hong Kong and Singapore, regulatory requirements such as the EU Action Plan on financing sustainable growth are facilitating the transition to a low-carbon economy. LGT PB welcomes these requirements and participates in numerous multilateral and regional partnerships, initiatives and assessments. In FY 2023 LGT PB aligned its internal processes and adapted various directives in line with its sustainability ambitions (eg covering risk, investments, compliance and advisory).

Links and references

Sustainability Information 2023

Part I – ESRS
• ESRS 2 SBM-1 Strategy, business model and value chain (pages 14–17)
• E1-1 Transition plan for climate change mitigation (pages 38–44)
• E4-1 Transition plan and consideration of biodiversity and ecosystems in strategy and business model (page 68)
• S1-1 Policies related to LGT’s workforce (pages 75–76)

Part II – TCFD
• Strategy (pages 113–114)

Sustainability at LGT 2023
• Sustainability Strategy 2030 (pages 12–19)

LGT website
• Human Rights Statement
• Biodiversity paper
• Modern slavery statement
Principle 2: Impact and Target Setting
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)
Show that your bank has performed an impact analysis of its portfolio to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly1 and fulfil the following requirements/elements (a-d):2

a) Scope: What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response
The impact analysis of LGT PB, which was conducted in 2023, supports LGT PB in identifying and focusing on the relevant significant impact areas. For the analysis, LGT PB followed the UNEP FI guidelines.

The main asset types included in the impact analysis are: own assets, client assets with discretionary powers/delegated authority, client assets with advisory role and trading/execution. The impact analysis includes all of LGT PB’s locations. For an overview of the relevant geographies, see Principle 1.1.

Based on LGT’s double materiality assessment based on ESRS, LGT PB identified that its largest impact is through its investments (clients’ and own). Apart from client deposits, the volume of LGT PB’s credits, Lombard loans and mortgages only accounts for a small fraction of its total assets under management (AuM). In addition, the collateral of Lombard loans is covered by the assessment, since the clients’ AuM serves as collateral for the Lombard loans. Moreover, LGT PB does not have a standard credit business per se. Credits, loans and mortgages have therefore been excluded from the impact analysis. Consequently, LGT PB has used the Investment Portfolio Impact Analysis Tool to identify the significant impact areas.

To analyse the impact of LGT PB’s investment portfolio, a dataset of all investments (eg asset class, country, sector, amount in USD) was used.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries3 for business, corporate and investment banking portfolios (ie sector exposure or industry breakdown in %), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.

Response
LGT PB considered the following portfolio composition in its impact analysis:
- Own assets: 7%
- Assets with discretionary powers: 15%
- Assets with advisory role: 33%
- Trading/execution: 45%

The allocation of assets and definition of industry sectors was based on exposure to the relevant sectors. Assets have been broken down as far as possible (eg for funds and structured products), but the breakdown was constrained due to limited data availability.

The sectors and sub-sectors relevant for LGT PB were derived from the portfolio’s share of exposure and are therefore classified by relevance. The impact areas were identified based on the following main sectors: energy, materials, industrials, consumer discretionary, consumer staples, financial sector, information technology, communication services, utilities and real estate. Whenever deemed relevant, the main sectors were split into sub-sectors (eg sector: industrials; sub-sector: transportation).

Links and references
Sustainability Information 2023
Part I – ESRS
- IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities (pages 24–25)
- E1-1 Transition plan for climate change mitigation (pages 38–44)
- E1 DR related to ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities (pages 44–46)
- E1 DR related to ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities (pages 46–53)
- DR related to ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities (pages 46–53)

Part II – TCFD
- Strategy (pages 113–120)

Los Angeles, November 2023

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1 That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, with the scope expanded as well as the quality of the impact analysis improved over time.

2 Further guidance can be found in the Interactive Guidance on impact analysis and target setting.4

3 “Key sectors” relative to different impact areas, ie those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.
c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank’s portfolio impacts into the context of society’s needs.

Response
The countries that accounted for the highest share of the portfolio in 2022 are: the US, Switzerland, Germany, the UK, Hong Kong, France, Canada, Japan, the Netherlands and Austria.

By including all relevant investments (> 1m USD) in the UNEP FI Investment Portfolio Impact Analysis Tool (sheet “Cartography”), which breaks the investments down according to sectors and countries, the UNEP FI Tool analysed the most significant impact areas for all asset types and asset classes. Based on the investments analysed, LGT PB identified climate and water as the main impact areas in its core markets.

The impact analysis identified water as an impact area, whereas water (or water quality) is a key component of biodiversity. Thus, by recognising the importance of water to biodiversity and defining biodiversity as a significant impact area, LGT PB has the opportunity to achieve a bigger impact in terms of sustainable development than if it had set water as a stand-alone impact area. For example, its core markets Central Europe, UK, Asia (Hong Kong, Singapore) and Australia are more affected by biodiversity issues than by water issues. In addition, positive impacts within biodiversity not only affect water, but also the first impact area climate. This is also in line with the double materiality analysis conducted in 2023, where biodiversity and ecosystems were identified as a material LGT PB topic. Overall, its identified impact areas of climate, and water in particular, have biodiversity as a common denominator.

Through the double materiality analysis performed in 2023 as described in the Sustainability Information 2023, the significant impact areas were also identified, which align with the identified impact areas from the Investment Portfolio Impact Analysis (topic climate change, biodiversity and ecosystems). The materiality analysis was conducted in consultation with both internal (eg LGT sustainability experts, various departments) and external stakeholders (eg owners, clients, external experts). LGT PB also reviewed the findings of the PRB impact analysis with its sustainability experts and assessed whether corresponding products and research are in place, and if relevant data is available.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose. (Look at point after d)

Response
LGT PB carried out an impact analysis using the UNEP FI’s Investment Portfolio Impact Analysis Tool. For all asset types and asset classes, positive and negative associations within all impact areas have been identified across the portfolio. In the selection process of the most relevant impact areas, LGT PB mainly focused on negative impact areas, following the principle “Do no significant harm.” The second crucial element in the selection process is the focus on impact efficiency. LGT PB therefore prioritised areas with a strong connection to other impact areas.

Based on the results of the impact analysis, LGT PB identified climate as the first impact area. The impact area climate is a strategically important topic for LGT PB where it can drive significant impact.

The second significant impact area is biodiversity. The strategic relevance of the impact area biodiversity is reflected in LGT PB’s efforts in this area. LGT PB is a signatory to the Finance for Biodiversity Pledge as well as a member of the Nature Action 100 initiative, and published a position paper on biodiversity that expresses the relevance of the topic and its previous and current actions to support biodiversity. The LGT ESG Cockpit, the ESG analytical tool used by LGT PB, incorporates biodiversity into the ESG analysis of corporates and countries. This includes specific KPIs such as water use, resource efficiency and biodiversity impact reduction. Biodiversity is also part of the controversy score, based on the metrics on impacts and landscapes ecosystems and biodiversity as well as local pollution. In addition, LGT PB’s philanthropic activities address the three key areas of: marine protection and freshwater security; carbon credits with biodiversity; and community benefits and community conservation. The company’s philanthropic activities align with SDGs 13, 14 and 15, and engage with organisations that have developed sustainable, synergistic solutions that are embedded in their local communities.

Links and references
Sustainability Information 2023
Part I – ESRs
- ESR 2 GOV-1 The role of the Foundation Board and Group Management Committee (pages 9–11)
- IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities (pages 24–25)
- E1 DR related to ESR 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities (pages 46–53)
- DR related to ESR 2 SBRM-3 Material impacts, risks and opportunities, and their interaction with strategy and business model(s) (page 68)
**d) For these (min. two prioritized impact areas): Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, ie qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

**Response**

The significant positive and negative impacts were derived by asset type (own assets, discretionary, advisory and trading/execution) and asset classes in relation to the relevant sectors. As the analysis is based on the asset types and asset classes, it does not provide insights into the impacts of sectors in different impact areas across the portfolio.

The indicators for climate are: potential involvement in the consequences of climate-related risks and GHG emissions. As LGT PB has identified climate as a significant impact area, it refers to the indicators in Annex 1.

LGT PB uses the widely accepted standards for metric calculation, ie GHG Protocol and Partnership for Carbon Accounting Financials (PCAF). Targets are set for carbon emissions intensity, as this enables LGT PB to measure progress in reducing carbon emissions and compare the portfolios. LGT PB has set financial intensity targets by GHGe/$m invested. The selected financial intensity measure has been widely adopted within the financial industry and provides information on efficiency gains.

In addition to measuring the carbon footprint, LGT PB measures absolute emissions to inform its strategy and progress on decarbonising its portfolio. Absolute emissions are also used to gauge the GHGe emissions from own investments. Further to this, exposure to carbon-intensive sectors was measured to inform the implementation strategy and risk management decisions.

The GHG emission data of the relevant balance sheet activities including own investments and mortgages are disclosed in the Sustainability Information 2023, Part II (TCFD). From the disclosed GHG data, it can be derived that the absolute emissions of mortgages are negligible compared to the absolute emissions of own investments, and that the share of absolute emissions associated with high-emitting sectors as per the NZBA definition is also small in comparison to the total GHG emissions of own investments. This serves as a justification for limiting the intermediate and long-term target that LGT PB has set as part of its NZBA commitment to own investments and for setting a cross-sectoral decarbonisation pathway instead of sector-specific targets.

While the standards and indicators for climate are clear and presented in the PRB template Annex, no suitable indicators are predefined for biodiversity. LGT PB is therefore in the process of developing more informative, meaningful and specific indicators for biodiversity through its memberships and engagements with stakeholders. To implement the eligible target setting by November 2024, LGT PB is currently defining its own indicator(s) for biodiversity.

**Links and references**

Sustainability Information 2023

Part I – ESRS
- E1 DR related to ESRS 2 SBM-3 Material impacts, risks and opportunities, and their interaction with strategy and business model (pages 44–46)
- E1-4 Targets related to climate change mitigation and adaptation (pages 57–61)
- E1-5 Energy consumption and mix (pages 61–62)
- E1-6 Gross Scopes 1,2,3 and total GHG emissions (pages 63–65)
- E4-4 Targets related to biodiversity and ecosystems (page 72)

Part II – TCFD
- Metrics and targets (pages 133–139)

LGT website
- Transition plan
Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- **Scope:**
  - Yes
  - In progress
  - No

- **Portfolio composition:**
  - Yes
  - In progress
  - No

- **Context:**
  - Yes
  - In progress
  - No

- **Performance measurement:**
  - Yes
  - In progress
  - No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

- Climate change mitigation, biodiversity

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:

(optional)

LGT PB did not particularly identify the sectors and industries with the most significant impacts. It analyzed by asset type and asset class as well as countries.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets\(^6\) have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- **Alignment:** which international, regional or national policy frameworks to align your bank’s portfolio with\(^9\) have you identified as relevant?
  - Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.
  - You can build upon the context items under 2.1.

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\(^6\) You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

\(^7\) For the impact area climate only (not for biodiversity)

\(^8\) Operational targets (relating to for example water consumption in office buildings, gender equality on the bank’s management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

\(^9\) Your bank should consider the main challenges and priorities in terms of sustainable development in your main countries of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank’s targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.
As part of the impact analysis, LGT PB determined which of its targets and indicators contribute to the UN Sustainable Development Goals (SDGs), with identified impact areas contributing to at least one UN SDG. Taking action to combat climate change and its impacts is aligned with SDG 13 (Climate action). LGT PB is committed to reduce its operational and balance sheet emissions in line with the Paris Agreement and its NZBA commitment, and reach net zero by 2050 at the latest.

As engagement on biodiversity to directly promote SDG 14 (Life under water) and SDG 15 (Life on land), and indirectly promote SDG 13 (Climate action) is to be addressed in the near future, LGT PB is in a first step focusing on understanding the impacts of climate change mitigation on biodiversity. As part of these efforts, LGT PB found that reducing GHG emissions to mitigate climate change and promote sustainable development can also positively impact ocean acidification and soil desertification. In turn, protecting, restoring and enhancing terrestrial and underwater ecosystems also mitigates climate change. This means that the two environmental domains interact, are linked and should be addressed together in the future. Targets on biodiversity will be derived from the impact analysis, which will be conducted in 2024. Based on the commitment with Finance for Biodiversity and the PRB requirements, LGT PB will announce its biodiversity targets in 2025. LGT plans to develop biodiversity-related actions across the entire value chain to achieve alignment with the vision of the Kunming-Montreal Global Biodiversity Framework (GBF) and its relevant targets and goals.

Biodiversity is mapped to the SDGs 14 and 15, and indirectly linked to SDG 13.

In summary, LGT PB found that it has a substantial impact on SDGs 13, 14 and 15. LGT PB therefore concludes that with these SDGs associated with biodiversity, biodiversity is a clear overarching impact area.

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target. A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<table>
<thead>
<tr>
<th>Impact area</th>
<th>Indicator code</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>A.1.1</td>
<td>Yes. For details, see LGT PB’s website.</td>
</tr>
<tr>
<td></td>
<td>A.1.2</td>
<td>Yes. For details, see LGT PB’s website.</td>
</tr>
<tr>
<td></td>
<td>A.1.4</td>
<td>Yes. For details, see Sustainability Information, Part II (TCFD).</td>
</tr>
<tr>
<td></td>
<td>A.1.5</td>
<td>Yes, green mortgages and in progress for other low-carbon products such as Lightrock’s, impact fund targeting innovative companies around the impact sub-themes eco-balance and circularity, equality and inclusion, health and wellbeing as well as trust and ,and we developed a new share class for the Princely Strategy for which high-quality carbon credits in the range of the residual greenhouse gas emissions of the underlying assets will be purchased.</td>
</tr>
<tr>
<td></td>
<td>A.2.2</td>
<td>Total GHG emissions or CO₂e, see Sustainability Information, Part II (TCFD)</td>
</tr>
<tr>
<td></td>
<td>A.4.1</td>
<td>See transition plan</td>
</tr>
</tbody>
</table>

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

**Response**

**Climate:**
The 2022 baseline emission intensity in own investments for the intermediate and long-term target corresponds to 77 tCO₂/$m invested. This is disclosed in detail as part of LGT PB’s NZBA commitment in its Sustainability Information 2023, Part II (TCFD) within LGT PB’s transition plan published in accordance with its NZBA commitment.

**Biodiversity:**
LGT PB views biodiversity as an important topic in its Sustainability Strategy 2030, and as an important link to climate change. LGT PB therefore published a position paper on biodiversity in 2022, and has become a member of the Finance for Biodiversity Pledge and Nature Action 100. For more information, see Sustainability Information 2023, Part I. As LGT PB has not set a biodiversity target yet, no indicators have been chosen.

**Links and references**

Sustainability Information 2023

Part I – ESRS
- E4-4 Targets related to biodiversity and ecosystems (page 72)

Part II – TCFD
- Strategy (pages 113–114)

LGT website
- Transition plan
c) SMART targets (incl. key performance indicators (KPIs))

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

LGT PB has set the following targets and KPIs related to the above-mentioned SDGs to foster positive development in the most significant impact areas:

Climate:
As a founding member of NZBA, LGT PB is committed to transition GHG emissions attributable to its lending and investments portfolios to align with pathways to net zero by 2050 or sooner, including GHG emissions reaching net zero at the latest by 2050.

LGT PB follows NZBA guidance in setting its reduction targets. These targets support it in implementing the climate strategy for own investments and in gauging progress in decarbonising the financed emissions from these investments. LGT PB chose to set overall financial metric intensity targets in line with the 1.5°C scenario pathway as per IPCC. Targets are set for carbon emissions intensity, as this enables LGT PB to measure progress in reducing carbon emissions and compare portfolios. LGT PB has set financial intensity targets by GHGe/$m invested. The selected financial intensity measure has been widely adopted within the financial industry and provides information on efficiency gains. The selected financial metrics enable LGT PB to identify climate-related risks in its own investments and set reduction targets and thresholds. By quantifying these risks, LGT PB will be able to measure progress towards aligning its investment activities with its decarbonisation plan to reach net zero.

In pursuit of this ambition, LGT PB has set the following reduction targets (tGHGe/m$ invested) for overall own investments compared with the 2022 baseline:

- Intermediate target: –45% intensity by 2030
- Long-term target: –90% intensity by 2050

LGT PB uses science-based cross-sectoral decarbonisation pathways as a benchmark to determine to which extent its investments are aligned with a 1.5°C no/low overshoot pathway. These pathways give LGT PB guidance on the rate at which it needs to reduce GHGe emissions to reach net zero by 2050.

LGT PB will review the targets at least every five years and if necessary, adjust them to ensure consistency with the latest science according to the IPCC assessment reports. This is also to account for the fact that more data is becoming available and methodologies and standards are developing.

Possible reasons for adjustments include:
- Any major changes in international agreements or national goals;
- Change of baseline in line with revisions made to targets or boundaries if required;
- Detection of major errors;
- As climate science evolves, methodologies, calculation standards and targets will be reviewed.

Main indicators for its climate targets are the thorough net-zero governance structure and strategy that it adheres to, and GHG emission values for investments and for mortgages, as disclosed in Sustainability Information 2023, Part II (TCFD).

Lending activities have thus far been excluded from target setting. This is justified by the lack of PCAF GHG accounting methodologies for the majority of the lending book and the lack of materiality of the remaining part of the lending book’s GHGe emissions compared with the GHGe emissions of own investments. With continuously expanding coverage of asset classes by PCAF GHG accounting methodologies, LGT PB intends to expand the target scope over time and to also include lending activities.

In addition to its investment targets, LGT PB has defined the following reduction targets for 2030 for four operations-related categories:

- Reduce energy consumption/FTE by 30 percent by 2030 (compared to 2019)
- Use 100 percent renewable electricity and 100 percent renewable heating or district heating by 2030
- Reduce Scope 1 & 2 emissions by 90 percent by 2030 (compared to 2019)
- Reduce flight emissions/FTE by 50 percent by 2030 (compared to 2019)
- Reduce paper consumption/FTE by 50 percent by 2030 (compared to 2019)

13 Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.
LGT’s thermal coal exclusion policy came into force in 2020 for investments it has control of.

Biodiversity:
SMART targets concerning biodiversity are in development. Findings from LGT PB’s engagement with the PRB working group on biodiversity and its membership in the Finance for Biodiversity Pledge feed into the development of these SMART targets. Based on the commitment with Finance for Biodiversity and on the PRB requirements, LGT PB will communicate its biodiversity targets in 2025.

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response
To achieve its targets, LGT PB has established a transition plan to provide clear guidance on which actions LGT PB must take. Executing this plan will support the implementation of its decarbonisation strategy, i.e., the areas that LGT PB aims to focus its efforts on.

The main levers for achieving emission reductions within LGT PB’s financial portfolios are:
- Exclusion of sectors and investees with high emissions;
- Investments in companies that are aligned with the 1.5°C pathway, the transition of companies with robust net-zero plans and companies with climate solutions for replacing high-emitting technologies and services.

LGT has a group-wide exclusion policy on thermal coal to prevent disastrous damage, also to biodiversity and ecosystems. LGT PB plans to develop its biodiversity-related measures across the entire value chain to achieve alignment with the vision of the Kunming-Montreal Global Biodiversity Framework (GBF) and its relevant targets and goals. This includes implementation as well as the improvement of actions in the areas of collaboration and knowledge sharing, policies, engagement, impact assessment, target setting and reporting. In addition, future activities in the areas of biodiversity and ecosystems will be planned along the biodiversity mitigation hierarchy. Using this approach, LGT PB will mainly focus on the first three steps (avoid, minimise and restore) to limit risks and find investments with a positive impact on biodiversity. To gain an even deeper and better understanding of the impacts and dependencies of LGT PB’s business activities, it will carry out an analysis with a dedicated biodiversity impact tool based on the recommendations of Finance for Biodiversity. The analysis will allow LGT PB to assess the impact and dependencies of its balance sheet and client portfolios on different aspects and drivers of biodiversity and ecosystems loss. This will support the target-setting process and allows LGT PB to derive effective targets, measures and further mitigation actions.

LGT PB’s commitment to climate, including the setting of targets in line with the NZBA commitment, is also in light of the recognition of the impact which banks have though their activities. LGT PB is aware that some of these aspects may come with potential indirect negative impacts on other sustainability topics, and are committed to address these appropriately e.g., with our stewardship activities. By tracking the set targets in the impact areas climate and biodiversity, LGT PB contributes to sustainable development mainly in SDGs 13, 14 and 15. By fostering positive impacts on climate and biodiversity, LGT PB will additionally support the reinforcement of other SDGs, as an intact environment is a foundational pillar for societal well-being.
2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

The impact analysis, which was conducted with the UNEP FI Investment Portfolio Impact Analysis Tool, started LGT PB’s process of setting more comprehensive targets for climate and setting initial targets for biodiversity. The assessment contains the first indicators for the impact areas climate and biodiversity, and targets for climate. The implementation of the climate and the still to be defined biodiversity targets is strongly supported through LGT PB’s Sustainability Governance structure.

Group Sustainability Management has oversight over all sustainability topics, and monitors and aligns activities with a view to achieving LGT PB’s sustainability targets. The different Sustainability Committees are responsible for implementation and a review thereof. For example, the Sustainability Committee Operations is responsible for operational climate targets. The Core Steering Committee discusses topics of strategic relevance, including sustainability-related target setting. It is chaired by the CEO of LGT PB and is complemented by LGT PB’s Head Corporate Development & Transformation and the Head Group Sustainability Management. The Senior Management Board and ultimately the Foundation Board have overall responsibility for managing sustainability risks and making sure that the goals are achieved. Reporting on achievements will be done through LGT’s Sustainability Information report.

Links and references

Sustainability Information 2023

Part I – ESRs
• GOV-2 Information provided to and sustainability matters addressed by the Foundation Board and the Group Management Committee (pages 12–13)

Part II – TCFD
• Governance at LGT Private Banking (pages 110–112)

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

<table>
<thead>
<tr>
<th>...first area of most significant impact: climate change mitigation... (please name it)</th>
<th>...second area of most significant impact: biodiversity (please name it)</th>
<th>(If you are setting targets in more impact areas)...your third (and subsequent) area(s) of impact: (please name it)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>In progress</td>
<td>In progress</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Baseline</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>In progress</td>
<td>In progress</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>SMART targets</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>In progress</td>
<td>In progress</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Action plan</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>In progress</td>
<td>In progress</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☐ Yes  ☐ In progress  ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes  ☐ In progress  ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients’ transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

For LGT PB’s clients, partners and other stakeholders, the LGT Code of Conduct underscores its commitment to the principles of conduct and the fact that it complies with them when carrying out its business activities. LGT strives to maintain lasting, fair relationships with its clients, business partners, the authorities and other important stakeholders. The LGT Code of Conduct requires employees to treat clients fairly and with respect, to provide them with excellent products and services, as well as the best possible advice and execution. For more information, see the LGT Code of Conduct.

To develop the best possible investment solution for its clients, LGT PB must understand their sustainability preferences. LGT PB complies with regulatory requirements (eg EU SFDR, MiFID II), including assessing clients’ preferences regarding sustainability investments, which is documented in LGT PB’s Sustainable Investing directive. For more information, see 5.3 “Policies and due diligence processes” in this report. LGT PB Europe has defined four profiles to capture the different sustainability preferences of clients: Traditional, Basic, Enhanced and Enhanced Plus, with the latter representing the highest standard of sustainability. This categorisation, which is applied in both LGT PB’s portfolio management and portfolio advisory mandates, allows LGT PB to develop and recommend the investment solutions that best align with its clients’ investment goals and values.

LGT PB raises client awareness by educating them by publishing papers (eg on biodiversity) and by organising client events on sustainability (eg LGT PB’s Climate Conference, Sustainability4Entrepreneurs, webinars, livestreaming). It also engages them indirectly via its relationship managers, who undergo dedicated training, and re-profiles clients based on their sustainability preferences.

Another important component to educating LGT PB’s clients is the LGT Sustainability Rating. Launched in 2017, the LGT Sustainability Rating is calculated using the LGT ESG Cockpit, which uses data sourced from six third-party ESG data providers. With the LGT Sustainability Rating, LGT PB informs clients about the sustainability quality of their investments and how they contribute to the UN Sustainable Development Goals (SDGs). For clients in Europe and Asia, the LGT Sustainability Rating is integrated into the LGT SmartBanking platform. For more information about the LGT Sustainability Rating, see the Sustainability Information 2023, Part II (TCFD), as well as LGT PB’s website. LGT PB informs its clients about their portfolios’ emissions. For clients who have expressed sustainability preferences, LGT PB provides information on the carbon footprint, both for discretionary mandates and advised investments, in their statement of assets.

LGT PB’s sustainable investing experts ensure that LGT PB offers a growing number of sustainable products and provides education and information on sustainable investing to its client-facing staff and its clients. To achieve LGT PB’s sustainability goals set out in the Sustainability Strategy 2030, the Sustainability Committee Clients & Investments coordinates and defines LGT PB’s sustainable investing strategy in close collaboration with Sustainable Investing (SI) experts from different investment functions (eg portfolio management, portfolio advisory and research) and the local SI expert teams in the various regions. LGT PB’s sustainability expertise ensures that it offers a growing number of credible sustainable products and provides education and information on sustainable investing topics.

LGT PB has policies on controversial weapons and thermal coal in place that apply globally and exclude investments in sectors that LGT PB has identified as having high potential negative impacts. For more information, see 5.3 Policies and due diligence processes in this report.

11 A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

12 Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.
3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g., green mortgages – climate, social bonds – financial inclusion, etc.).

Response

LGT PB has identified several business opportunities with the potential to increase its positive or reduce its negative impacts. Throughout the reporting year, LGT PB focused on further developing the product offerings outlined below across its locations.

LGT's assets subject to a positive environmental and/or social screen

<table>
<thead>
<tr>
<th>Product &amp; Mandates</th>
<th>CHF million</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGT Private Banking products &amp; mandates</td>
<td>44 326</td>
</tr>
<tr>
<td>Lightrock products</td>
<td>515</td>
</tr>
<tr>
<td>Third-party products &amp; single equities/bonds</td>
<td>12 876</td>
</tr>
</tbody>
</table>

Total investments with a positive environmental and/or social screen: CHF 57 717 million

Total assets under administration (AuA): CHF 154 241 million

Proportion of assets subject to a positive environmental and/or social screen: 37.4%

Links and references

Sustainability Information 2023

Part I – ESGs
- S4-4 Action on material impacts on clients (pages 97–105)

Stewardship Report 2023

Sustainability at LGT 2023
- Sustainable Investing (pages 12–19)

- LGT PB continuously enhances its sustainability risk management framework to reflect the evolving nature and maturity of sustainability risk practices. LGT’s risk management is key to ensuring a healthy balance sheet and adequate capitalisation, two factors that help it maintain client confidence. This stability also makes LGT PB an attractive employer. The specific inclusion of ESG topics in the risk management process enables LGT PB to consider environmental and social developments, while at the same time underpinning its reputation as a responsible company.

- To develop the best possible investment solutions for its clients, LGT PB Europe has defined four profiles to capture their different sustainability preferences: Traditional, Basic, Enhanced and Enhanced Plus, with the latter representing the highest standard of sustainability. This categorisation, which is applied in both LGT PB’s portfolio management and portfolio advisory mandates, allows LGT PB to develop and recommend the investment solutions that best align with its clients’ investment goals and values.

- For LGT PB, sustainable products and solutions are material. ESG factors are included in the investment process and portfolio construction of these offerings. It uses three approaches to this end:
  - 1. Exclusions: By applying exclusion criteria, LGT PB avoids investments that have a significant negative impact on society and the environment. For all of its investments, LGT PB excludes companies that are involved in mining thermal coal used in energy production. For its investment solutions promoting environmental and/or social characteristics, LGT PB applies further product or conduct-based exclusion criteria to corporate and sovereign issuers.
  - 2. ESG Integration: LGT PB systematically considers environmental, social, and corporate governance (ESG) criteria in its offerings that promote environmental and/or social characteristics. To this end, it assesses the sustainability quality of investments (i.e., whether they have a strong or weak ESG performance) consistently and comprehensively using a proprietary analysis tool, the LGT ESG Cockpit, which is in use at LGT PB (EMEA) and LGT PB (Asia).
- 3. Stewardship:
  Stewardship plays an essential role on the path to net zero. LGT PB’s collaboration with Columbia Threadneedle Investments enables LGT PB to engage on behalf of client assets. In 2023, LGT PB extended engagement to advisory portfolios with the Enhanced Plus profile and to more clients of its Focus Sustainability portfolio management mandate. It also introduced customised reporting for clients on engagement results. In addition, LGT PB joined Nature Action 100 in 2023, an investor collaborative engagement initiative seeking to reduce the loss of nature and biodiversity by targeting corporates in the sectors with the greatest impact on nature. Proxy voting is a vital component of stewardship. In 2023, LGT PB began exercising its voting rights for the mutual funds of the “Focus Sustainability” portfolio management strategy and is working to extend proxy voting activities to further portfolio management strategies.

- In 2023, LGT PB continued to work on its commitment to decarbonize its clients’ portfolios and its own investments. LGT PB aims at fostering innovation by focusing on alternative asset classes, including nature-based solutions that address climate change while positively contributing to biodiversity. In particular, it carried out an extensive due diligence on forestry assets, their carbon accounting and nature conservation practices. LGT PB also started exploring investment opportunities in sustainable infrastructure, sustainable agriculture and carbon markets that can provide an additional climate contribution. In 2024, LGT PB will launch a new share class for the Princely Strategy for which high-quality carbon credits in the range of the residual greenhouse gas emissions of the underlying assets will be purchased.

- In 2023, LGT PB’s Portfolio Advisory in EMEA focused on developing an offering to enable clients to invest in line with the Paris Agreement. LGT PB has therefore identified the emissions linked to advisory portfolios and has defined two general approaches to integrate decarbonisation into sustainable advisory offerings: designing a new Paris-aligned portfolio advisory mandate and advising clients proactively on how to reduce CO2 in portfolios.

- The portfolio advisory mandate will follow the Paris Aligned Investment Initiative of the Institutional Investors Group on Climate Change (IIGCC). LGT PB aims to reduce the carbon footprint of investment portfolios by at least half by 2030, as measured in metric tons of CO2 equivalent per million USD of invested assets. The mandate strategy emphasises advice for climate solutions and low carbon products. Initially, LGT PB will target portfolios with the Enhanced Plus profile, and plans to over time to extend the decarbonisation strategy to other sustainability profiles. In 2023, LGT PB began identifying the emissions linked to advisory portfolios and determining how to decarbonise portfolios. In advising on carbon reduction, LGT PB began educating portfolio advisors on decarbonisation. LGT PB advocates for low carbon products and supports climate-related engagement.

- LGT PB’s clients continued to show strong interest in private equity strategies in 2023. By investing in growth impact investments through Lightrock, its clients can contribute to scaling businesses that have developed innovative product and service solutions which seek to benefit society and the environment. In 2023, Lightrock continued to deploy a climate-themed fund which backs scalable and technology-enabled companies that deliver measurable greenhouse gas emissions reductions and/or climate impact directly or indirectly, while also targeting financial opportunities. LGT PB’s clients can also access certain co-investments in selected fund portfolio companies. These feeder funds as well as the related co-investment vehicles have drawn strong demand from LGT PB’s clients and were considerably oversubscribed.
Principle 4: Stakeholders
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

4.1 Stakeholder identification and consultation
Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

- Yes
- In progress
- No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response
LGT PB joins forces with relevant stakeholders to leverage its contributions to sustainable development. For an overview of LGT’s stakeholders and how LGT engages with them, see Sustainability Information 2023, part I (ESRS).

The Foundation Board is periodically informed about stakeholder views and interests in sustainability-related matters. Due to its strategic role, the Foundation Board receives information from different sources across LGT, including information and updates on sustainability matters. In addition, members of the Foundation Board actively participate in sustainability-related summits and conferences around the world, e.g., the LGT Climate Conference. This enables them to interact directly with clients.

The table below provides some examples of engagement for LGT PB’s most relevant stakeholder groups.

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Examples of stakeholder engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder</td>
<td>Long-term strategic orientation</td>
</tr>
<tr>
<td></td>
<td>Value creation</td>
</tr>
<tr>
<td></td>
<td>Sustainability embedded into core strategy</td>
</tr>
<tr>
<td>Clients</td>
<td>Bespoke investment solutions</td>
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<tr>
<td></td>
<td>Client satisfaction surveys</td>
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<tr>
<td></td>
<td>Investments promoting environmental and/or social characteristics</td>
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<tr>
<td></td>
<td>Philanthropy advisory</td>
</tr>
<tr>
<td></td>
<td>Family governance</td>
</tr>
<tr>
<td></td>
<td>ESG education in different formats</td>
</tr>
<tr>
<td></td>
<td>Client meetings</td>
</tr>
<tr>
<td>Employees</td>
<td>An ongoing dialogue in one-to-one meetings, team meetings or global/ regional/ departmental town halls, meetings or events</td>
</tr>
<tr>
<td></td>
<td>Employee surveys</td>
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<tr>
<td></td>
<td>Annual performance management and feedback process</td>
</tr>
<tr>
<td></td>
<td>Ongoing learning and development</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Long-term collaboration</td>
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<tr>
<td></td>
<td>Fair compensation</td>
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<tr>
<td></td>
<td>Environmental protection</td>
</tr>
<tr>
<td>Communities</td>
<td>LGT Venture philanthropy</td>
</tr>
<tr>
<td></td>
<td>Event sponsorship</td>
</tr>
<tr>
<td></td>
<td>Volunteering programmes</td>
</tr>
<tr>
<td></td>
<td>Donations</td>
</tr>
<tr>
<td></td>
<td>LGT Award for social engagement in Liechtenstein</td>
</tr>
</tbody>
</table>

Links and references
- Sustainability Information 2023
  - Part I – ESRS
    - SBM-2 Interests and views of stakeholders (page 17–18)
  - Part II – TCFD
    - Commitments and memberships (page 114)

13 Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations
Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes  ☐ In progress  ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about:

• which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
• details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
• remuneration practices linked to sustainability targets.

Response

The Foundation Board of LGT Group Foundation is the highest governance body of LGT PB. The Foundation Board has four separate committees: the HR Compensation Committee, the HR Nomination Committee, the Risk Committee and the Audit Committee.

Sustainability, including climate change, is on the agenda at meetings of the Foundation Board, LGT PB’s Executive Board, selected executive boards at entity level and some boards of directors at the entity level at least once a year. This ensures that sustainability is treated as a priority at all management levels and is taken into account in LGT PB’s business activities. As climate risks are integrated into LGT PB’s overall risk framework, both the Senior Management Board, led by CEO Olivier de Perregaux, and the Foundation Board, headed by Chairman H.S.H. Prince Max von und zu Liechtenstein, monitor these risks. The Core Steering Committee of the Sustainability Strategy 2030 regularly discusses LGT PB’s NZBA-aligned climate targets.

The overall sustainability strategy, including the governance structure, is overseen by the Foundation Board. The LGT PB Executive Committee defines LGT PB’s strategic direction and guiding principles regarding sustainability. The Core Steering Committee of LGT PB discusses topics of strategic importance. Members of the Core Steering Committee are Olivier de Perregaux, CEO LGT Private Banking, Stephan Tanner, Head of Corporate Development and Transformation, and Ursula Finsterwald, Head of Group Sustainability Management. The Core Steering Committee of LGT PB covers all sustainability topics. Sustainability topics are on the agenda of the Foundation Board at least twice a year. In 2023, senior management was informed about the GHG emissions of LGT PB. LGT PB’s NZBA-aligned targets were discussed in the Core Steering Committee. The findings of the discussion were presented to the Foundation Board for final decision-making. Progress against targets will be reviewed annually by the Core Steering Committee to monitor progress regularly.

For more details about LGT Group’s sustainability governance structure and committees, see Sustainability Information 2023, part I (ESRS) and II (TCFD).

Responsible for the PRB Report is the Sustainability Committee Data & Reporting, chaired by the Head of Group Sustainability Management, reporting directly to the Core Steering Committee. For Governance-related matters, the Sustainability Committee Data & Reporting is supported by the Sustainability Committee Risk & Governance, which is headed by the Head Group Risk & Security. Additional members of the Sustainability Committee Risk & Governance include the CFO, the Group Head Compliance and Head Group Sustainability Management. Group Sustainability Management assembles and publishes the PRB along with other sustainability reports. In addition, the targets set by LGT PB (see Principle 2) have the support and attention not only of senior management, but also of the Chair of the Foundation Board H.S.H. Prince Max von und zu Liechtenstein.

Responsible corporate governance is indispensable for maintaining and strengthening the trust of clients and employees, but also of LGT PB’s owner and other stakeholders. LGT PB is managed in accordance with the principles of the separation of powers (LGT Group Foundation Board, LGT PB’s Executive Board and Boards of Directors at entity level), and checks and balances. Sustainability is regularly on the agenda at meetings of the Foundation Board, LGT PB’s Executive Board, selected executive boards at entity level and some boards of directors at the entity level. This enables LGT PB to ensure that sustainability is treated as a priority at all management levels and is incorporated into all business activities. Climate considerations are integrated into the sustainability agenda and are part of the mandates of some sustainability boards and committees, which meet on a regular basis.
LGT’s remuneration policy reflects the importance of the LGT Code of Conduct, including the sustainability aspects contained in the code. This results in sustainability risks mitigation by stipulating that failures to uphold or breaches of the LGT Code of Conduct or internal directives and instructions can, among other things, result in a reduction of variable compensation.

Adherence to the LGT Code of Conduct is assessed at the annual conduct review meetings. During these meetings, input from the control functions (Risk, Compliance and Internal Audit) and Human Resources is discussed and impacts on variable compensation are considered. LGT’s remuneration policies are defined, and their implementation is monitored by the Foundation Board, supported by the Group Human Resources compensation committees. The policies are reviewed regularly.

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g. capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

The LGT Code of Conduct sets out LGT’s shared values as well as the ethical and professional standards that are binding for all employees, members of the supervisory and controlling bodies of LGT and its affiliated companies. It is approved by the Foundation Board and serves as a guide for all employees at all locations worldwide, and sets binding ethical and professional standards. To foster responsible business practices, the Code of Conduct considers and references the sanctions programmes of the United Nations, the US and the EU. Moreover, the code sets out the goal to align LGT’s investments with the Paris Agreement to limit global warming.

LGT PB’s greatest asset is its employees. LGT PB has established employee training roadmaps to enhance employees’ soft skills. Moreover, employees receive training tailored to their specific roles. New employees must complete a range of mandatory training, including web-based training on sustainability and sustainable investing at LGT. The training is complemented by videos produced by Group Sustainability Management, Compliance and Investment Services, and by face-to-face ESG training for relationship and portfolio managers that are delivered by sustainable investing and financing experts. This ESG training focuses on regulatory topics associated with climate risks and is the basis for additional education modules for relationship managers on how to discuss sustainability preferences with each client.

LGT PB’s Group Sustainability Management drives communication about sustainability topics through public webinars, presentations and publications on internal media channels (e.g. intranet).

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

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14 Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies, or any applicable national guidelines related to social risks.
Response
As a financial institution, LGT PB recognises its role in resolving environmental and social issues, and protecting the climate by advising its clients responsibly. With sustainable investing at the core of LGT PB’s sustainability strategy, the company aims to be a leading provider of sustainable investment solutions and contribute to the SDGs overall. Specifically, LGT PB seeks to substantially increase the share of sustainable investment solutions in clients’ portfolios and to measure and disclose the sustainability quality of its investment solutions.

To ensure that funds are directed toward companies and projects that support sustainable development, LGT PB has introduced several measures such as exclusion policies. The policies support LGT PB in managing assets ethically and in line with its sustainability goals by avoiding investments in selected companies (e.g., trade or manufacturing of landmines, chemical and biological weapons, nuclear weapons, cluster bombs, depleted uranium munitions and phosphorus bombs) and by supporting a shift away from carbon-intensive energy sources. LGT PB therefore excludes companies involved in the production of thermal coal and the generation of electricity from coal from its investment universe. These policies are in effect group-wide and apply to LGT PB’s own trading book, all LGT funds and the mandates managed by LGT PB and LGT employees.

The LGT Supplier Code of Conduct is an integral part of LGT’s contracts with suppliers and must be accepted by all suppliers along the entire value chain. It requires suppliers to adhere to important standards and conventions, including the UN Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the International Labour Organization (ILO) fundamental conventions and international labour standards, and the principles of the UN Global Compact (UNGC). For details on grievances, see Sustainability Information 2023, part I.

Links and references
Sustainability Information 2023
Part I – ESRS
• G1-2 Management of relationships with suppliers (page 35)
• S4-1 Policies related to clients (pages 95–96)
• S4-3 Channels for clients to raise concerns and processes to remediate negative impacts (page 97)
Part II – TCFD
• (pages 130–132)
Policy on the exclusion of controversial weapons
Policy on coal
LGT Code of Conduct
LGT Supplier Code of Conduct

Self-assessment summary
Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?
☐ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g., incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?
☐ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?
☐ Yes ☐ In progress ☐ No
Principle 6: Transparency & Accountability
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

6.1 Assurance
Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?
☐ Yes  ☐ Partially  ☐ No

If applicable, please include the link or description of the assurance statement.

Response Links and references

6.2 Reporting on other frameworks
Does your bank disclose sustainability information in any of the listed below standards and frameworks?
☐ GRI  ☐ SASB  ☐ CDP  ☐ IFRS Sustainability Disclosure Standards (to be published)  ☐ TCFD  ☐ Other: ESRS, EU Taxonomy, SFDR PAI, UNGC

Response Links and references
Sustainability Information 2023
▪ Part I – ESRS
▪ Part II – TCFD

CDP Climate Change Questionnaire

6.3 Outlook
What are the next steps your bank will undertake in next 12-month reporting period (particularly on impact analysis\(^{15}\), target setting\(^{16}\) and governance structure for implementing the PRB)? Please describe briefly.

Response Links and references
LGT PB focuses on the different measures defined in its Sustainability Strategy 2030. In 2024, it will conduct an impact analysis for biodiversity to lay the foundations for setting targets and defining indicators in the areas of nature and biodiversity. Communication on biodiversity-related progress will follow in 2025.

\(^{15}\) For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.

\(^{16}\) For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans, etc.
6.4 Challenges
Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Other: ...
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

Choosing the right performance measurement methodology: Target-setting requires clear and well-structured analyses, discussions and conclusions.

Data quality: Data availability is somewhat limited. LGT PB has noted that data on biodiversity protection is particularly difficult to collect. Moreover, the quality of data on GHG emissions varies and we find that climate data are somewhat limited, especially when establishing baselines and setting forward-looking targets. Data on biodiversity cannot be linked to one or a few data points only (compared to linking climate to CO₂ emissions), making the data collection and analysis complex.
Independent limited assurance report on selected sustainability information of LGT Private Banking

To the Management of LGT Private Banking, Vaduz

We have undertaken a limited assurance engagement on LGT Private Banking (hereinafter “LGT PB”) following selected sustainability information in the Principles for Responsible Banking Report 2023 for the year ended 31 December 2023 (hereinafter “PRB Report 2023”) prepared in accordance with the United Nations Environment Programme Finance Initiative (“UNEP FI”) Principles for Responsible Banking. Our limited assurance engagement on selected sustainability information covers the following sections of the PRB Report 2023 (hereinafter “Sustainability Information”) in accordance with the Principles for Responsible Banking as defined by UNEP FI in its guidance on “Providing Limited Assurance for Reporting”:

— 2.1 Impact Analysis
— 2.2 Target Setting
— 2.3 Target Implementation and Monitoring
— 5.1 Governance Structure for Implementation of the Principles

We have been engaged to evaluate if LGT PB’s description of processes, activities and their outcomes sufficiently reflects actions taken by the bank, rather than evaluating the applied approach itself. This individual assessment of whether LGT PB is aligned with the requirements of the Principles for Responsible Banking and is meeting its commitments is out of scope of this engagement and will be undertaken by a sustainability expert within the UNEP FI Secretariat.

Our assurance engagement does not extend to information in respect of earlier periods or future looking information or to any other information included in the PRB Report 2023 or any other report or linked to from the Sustainability Information or from the PRB Report 2023 (unless deemed relevant and material for statements made in the Sustainability Information), including any images, audio files or embedded videos.

Understanding how LGT PB has Prepared the Sustainability Information

LGT PB prepared the Sustainability Information using the following criteria (hereinafter referred to as the “Sustainability Reporting Criteria”):

— UNEP FI Principles for Responsible Banking: Guidance for banks (Version 2)

Consequently, the Sustainability Information needs to be read and understood together with these criteria. We believe that these criteria are a suitable basis for our limited assurance engagement.

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the ‘Summary of the work we performed as the basis for our assurance conclusion’ and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information is not prepared, in all material respects, in accordance with the Sustainability Reporting Criteria.

We do not express an assurance conclusion on information in respect of earlier periods or future looking information or to any other information included in the PRB Report 2023 or any other report or linked to from the Sustainability Information or from the PRB Report 2023 (unless deemed relevant and material for statements made in the Sustainability Information), including any images, audio files or embedded videos.
Inherent Limitations in Preparing the Sustainability Information

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur in disclosures of the Sustainability Information and not be detected. Our engagement is not designed to detect all internal control weaknesses in the preparation of the Sustainability Information because the engagement was not performed on a continuous basis throughout the period and the audit procedures performed were on a test basis.

LGT PB’s Responsibilities

The Management of LGT PB is responsible for:

— Selecting or establishing suitable criteria for preparing the Sustainability Information, taking into account applicable law and regulations related to reporting the Sustainability Information;
— The preparation of the Sustainability Information in accordance with the Sustainability Reporting Criteria;
— Designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We are responsible for:

— Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
— Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
— Reporting our independent conclusion to the Management of LGT PB.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by the Management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Professional Standards Applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners and sustainability experts. We remain solely responsible for our assurance conclusion.

Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures we performed were based on our professional judgment and the UNEP FI Principles for Responsible Banking guidance “Providing Limited Assurance for Reporting”. Carrying out our limited assurance engagement on the Sustainability Information included, among others:

— Assessment of the design and implementation of systems, processes and internal controls for determining, processing and monitoring sustainability performance data, including the consolidation of data;
— Inquiries of employees responsible for the determination and consolidation as well as the implementation of internal control procedures regarding the selected disclosures;
— Inspection of selected documents to determine whether quantitative and qualitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
— Assessment of the data collection, validation and reporting processes as well as the reliability of the reported data on a test basis;
— Assessment of the consistency of the disclosures applicable to LGT PB with the other disclosures and key figures and of the overall presentation of the disclosures through critical reading of the PRB Report 2023.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

KPMG (Liechtenstein) AG

Corina Wipfler
Partner

Moreno Halter
Director

Vaduz, 23 May 2024